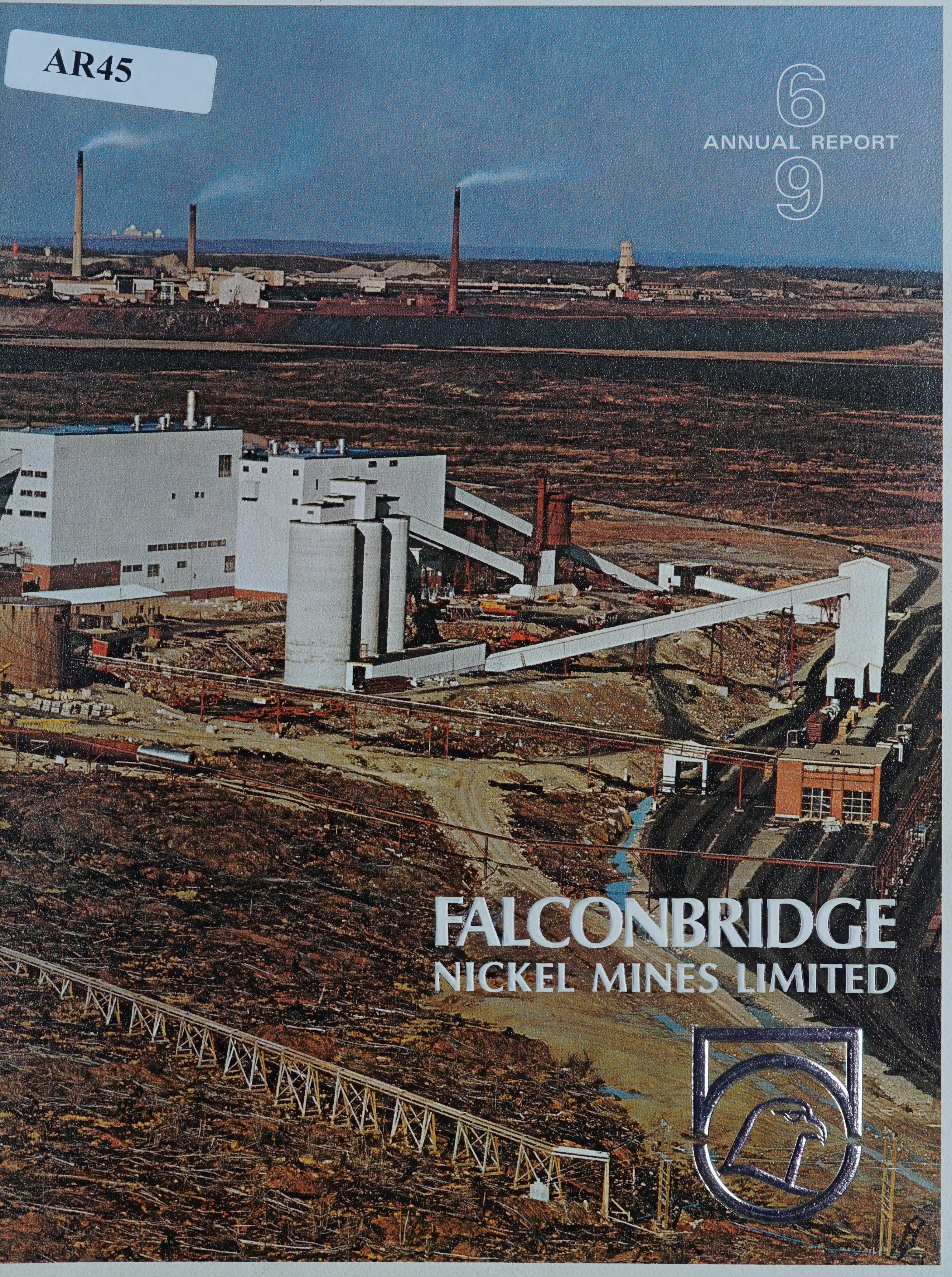

69 ANNUAL REPORT

FALCONBRIDGE NICKEL MINES LIMITED

CONTENTS

COVER ILLUSTRATION

The company's $35,000,000 Nickel-Iron Refinery, now nearing completion in the Sudbury area, is scheduled for initial operation in 1970. Using a new metallurgical process, it will treat annually 500,000 tons of pyrrhotite (iron sulphide) and produce more than 300,000 tons per year of iron-nickel pellets containing about 90 per cent iron and 1.5 per cent nickel. Development of the process and the new product (which can be charged directly into steel-making furnaces) culminates a long-term program of research and development by Falconbridge staff.

Associated with the refinery is an adjacent plant being constructed by Allied Chemical Canada, Ltd. (the grey building at the extreme left of the outside back cover). It will recover sulphur in elemental form from the gases produced by the refinery's roasters. This joint program by the two companies represents a major step forward in the control and abatement of air pollution in the Sudbury Basin.

HIGHLIGHTS

	1969	1968
Nickel deliveries — pounds	80,647,000	70,712,000
Metal sales and other operating revenues	$137,611,000	$105,206,000
Income from investments	$ 11,263,000	$ 10,694,000
Earnings for the year (before gain on investments)	$ 45,154,000	$ 24,461,000
Shares outstanding	4,946,243	4,905,017
Earnings per share (before gain on investments)	$9.13	$4.99
Dividends per share	$3.50	$3.50
Working capital	$ 24,147,000	$ 4,157,000
Market value of investments	$274,214,000	$209,470,000

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, April 8, 1970 — 10.00 a.m. (Toronto Time)
Ontario Room, Royal York Hotel — Toronto, Ontario

FERRONICKEL PROJECT IN THE DOMINICAN REPUBLIC — *The completion of negotiations in 1969 with the Government of the Dominican Republic, and with various financial and other groups, paved the way for construction of a large-scale ferronickel project by Falconbridge Dominicana, C. por A., a subsidiary of Falconbridge Nickel Mines Limited. Scheduled for completion in 1972, it will be the largest, single industrial development ever undertaken in the country. This photograph, showing work on the concrete base for the power station's three 66,000-kilowatt steam turbine generators, illustrates the rapid progress made to date at the busy construction site.*

DIRECTOR EMERITUS

THAYER LINDSLEY	President, Northfield Mines Inc.

BOARD OF DIRECTORS

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REGINALD CAMPBELL	Senior Vice-President
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* M. A. COOPER	President and Managing Director
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* W. F. JAMES	Partner in James, Buffam and Cooper, Consulting Geologists
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* H. B. KECK	President, The Superior Oil Company
* NEIL J. McKINNON	Chairman of the Board, Canadian Imperial Bank of Commerce
R. B. WEST	Chairman of the Board, The Boiler Inspection and Insurance Company of Canada

** Member of the Executive Committee*

OFFICERS AND CORPORATE MANAGEMENT

H. B. KECK	Chairman of the Board
M. A. COOPER	President and Managing Director
REGINALD CAMPBELL	Senior Vice-President
E. L. HEALY	Executive Vice-President Operations
F. R. ARCHIBALD	Vice-President Metallurgy and Research
W. G. DAHL	Vice-President Marketing
D. R. DeLAPORTE	Vice-President Western Minerals Division
I. H. KEITH	Vice-President Ferronickel Division
D. R. LOCHHEAD	Vice-President Nickel Division
J. J. MATHER	Vice-President Industrial Minerals Division
G. P. MITCHELL	Vice-President Exploration and Development
R. H. MOORE	Vice-President Technical Services
J. R. SMITH	Vice-President Eastern Minerals Division
G. T. N. WOODROOFFE	Vice-President Corporate Affairs and Secretary
H. L. HICKEY	Director Public Relations
J. T. McWHIRTER	Treasurer
KENNETH DUNN	Controller
J. L. MATTHEWS	Assistant Secretary

GENERAL REVIEW

The year 1969 was marked by the fruition of the important long-term Strathcona project and by progress on other key developments. Of very great significance to the Company was the completion of negotiations with the Dominican Government and with financial and other groups for the financing, construction and future operation of a large ferronickel project in the Dominican Republic by a majority-owned subsidiary, Falconbridge Dominicana, C. por A. This undertaking is commented upon in greater detail on pages 28 and 29 of this report.

Full production rate was achieved by the Strathcona Mine and its treatment facilities in the Sudbury District in 1969. The wholly-owned Wesfrob iron-copper operation in British Columbia enjoyed its first full year of production. In the Sudbury District construction continued on the Company's nickel-iron refinery and development of the Lockerby Mine was carried forward. Unfortunately the Company's operations, including production from the large Strathcona Mine and construction of the nickel-iron refinery, were adversely affected by a three months' strike by the Company's production and maintenance employees and by strikes of employees of construction contractors.

Despite loss of production due to the strike, the increase in production

Strathcona mining and treatment complex at the west end of the Sudbury Basin. In the background at far right is the headframe of the company's Longvack South Mine.

from Strathcona and Longvack South mines, together with a reduction in Metal inventories, made possible the highest deliveries of metals in the Company's history. The high deliveries, coupled with improved metal prices, resulted in the highest earnings in the Company's history at $45,154,000 or $9.13 per share as compared with $24,461,000 or $4.99 in 1968 and with $27,725,000 or $5.66 in 1966, the previous record year. These earnings are before gain on sale of investments.

Nickel continued in strong demand in 1969 and a relatively short supply situation is expected to remain throughout the current year. Customers were placed on reduced allocations in the latter part of the year, due to the adverse effect of the strike on production and delivery schedules.

The following table summarizes briefly the financial results for 1969 and compares them with those of the two preceding years.

FINANCIAL REVIEW

SUMMARY DATA	1969	1968	1967
Earnings before gain on investments	$ 45,154,000	$ 24,461,000	$ 25,792,000
— per share	$9.13	$4.99	$5.26
Operating profit from nickel operations before providing for development and preproduction expenditures and depreciation	$ 58,673,000	$ 36,740,000	$ 30,264,000
Dividends received from partially-owned subsidiary and other companies	$ 9,981,000	$ 10,306,000	$ 16,404,000
Dividends paid to shareholders	$ 17,212,000	$ 17,166,000	$ 17,148,000
— per share	$3.50	$3.50	$3.50
Expenditures on exploration, research and process development	$ 8,719,000	$ 6,866,000	$ 8,333,000
Expenditures (net) on property and plant and on mines to be brought into production in future years	$ 31,804,000	$ 38,188,000	$ 46,566,000
Working capital (at December 31)	$ 24,147,000	$ 4,157,000	$ 2,457,000
— per share	$4.88	$0.85	$0.50
Indicated market value (not included in working capital) of shares in unconsolidated subsidiary and other companies (at December 31)	$274,214,000	$209,470,000	$196,302,000
— per share	$55.44	$42.70	$40.03

Cargo vessel M/V FALCON at dockside of Falconbridge Nikkelverk A/S refinery, Kristiansand S., Norway.

EARNINGS

The operating profit from nickel operations, totalling $41,707,000, brings this figure to the highest yet achieved by the Company. This represents an increase of 78% over 1968. Record refinery production, augmented by a substantial reduction in finished metal inventories, permitted record deliveries of metals which, along with higher prices for nickel, copper and cobalt, resulted in a marked improvement in sales revenues. Additionally, unit production costs were lower, mainly because costs at the Longvack South and Strathcona operations were lower than those of the older mines. Because inventories were reduced in 1969 below normal levels, the necessity of restoring these in 1970 will affect 1970 deliveries and earnings.

The substantial increase in the provision for depreciation is due mainly to the effect of a full year's depreciation charge on the Strathcona plant which reached its full rate of production during the second quarter of the year. Expenditures on exploration were about 30% greater than in 1968, and there was a 20% increase in expenditures on research and process development.

Earnings of wholly-owned subsidiaries not engaged in the nickel business increased by $3,303,000 over the previous year due entirely to the increased earnings of Wesfrob Mines Limited. This was due not only to the higher average price per pound received for its copper production, but also to a production increase of 36% in copper concentrates and 24% in iron concentrates.

Dividends received from partially-owned subsidiaries and other companies at $9,981,000 were slightly lower than in 1968 at $10,306,000. The dividends received from Opemiska Copper Mines (Quebec) Limited and Kilembe Copper Cobalt Ltd. were higher than in 1968. Dividends were also received from Dominion Magnesium Limited, and United Keno Hill Mines Limited which did not pay dividends in 1968. These were offset by lower dividends received from Lake Dufault Mines Limited, La Luz Mines Limited, Marbridge Mines Limited and McIntyre Porcupine Mines Limited.

Falconbridge's interest in the earnings of subsidiary companies exceeded its share of the dividends received from those companies by $2,900,000. In addition its interest in the earnings of associated companies exceeded its share of dividends received from associated companies by $555,000. Total operating revenues of Falconbridge and its affiliated companies reached a new high of $279,108,000.

WORKING CAPITAL

In 1969 the benefit of heavy capital expenditures made in prior years began to be felt quite strongly. This was evidenced by the contribution of the Strathcona Mine to the Falconbridge profit position and by the cash flow generated by Wesfrob Mines Limited. The Company continued to advance funds to Falconbridge Dominicana, C. por A. which will likely be repaid early in 1970 when the first drawdowns under the financing arrangements are received.

Working capital increased by $19,990,000 to $24,147,000 at the end of the year as shown in the Statement of Consolidated Source and Application of Funds. Operations, after dividend payments of $17,212,000, provided funds of $48,048,000. Funds derived from outside sources provided an additional $5,865,000. Sales and conversion of investments and advances to other companies were approximately equal to the amounts invested. The amount of $31,804,000 was invested in capital additions (primarily the nickel-iron refinery) and preparation of new mines. Supplies and prepaid expenses increased by $2,181,000.

NICKEL 98, a new granular product for use in the steel industry, was introduced to international markets by Falconbridge in 1969. In this photograph, a shipment is being loaded aboard M/V FALCON.

The changes in the composition of the net current assets consist of a reduction in the bank loan of over $21,500,000, a large advance of $13,876,000 to Falconbridge Dominicana to provide initial financing of its project (to be repaid in 1970), a reduction in metal inventories of over $6,500,000 and increases in accounts payable, accrued charges and taxes payable.

INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AND OTHER COMPANIES

The Company sold its investment in Canadian Malartic Gold Mines Limited during the year. Canadian Malartic had been inactive following the termination of mining activities several years ago.

Approximately $500,000 was received from the redemption of a por-

tion of the 6¼% bonds of Zeballos Iron Mines Limited.

Under its agreement with New Quebec Raglan Mines Limited, the Company continued its program of exploration on the Raglan properties for which it received additional preferred shares of Raglan Quebec Mines Limited.

The indicated market value of the Company's investments in subsidiary and other companies stood at $274,214,000 at the end of 1969, an increase of $64,744,000 from the end of 1968. The major portion of this increase is accounted for by the increase in the market prices of Lake Dufault, McIntyre Porcupine, New Quebec Raglan and Opemiska Copper. Advances to Falconbridge Dominicana of $2,340,000 carried as Investment in Subsidiary and Other Companies at the end of 1968 together with additional advances in 1969 are carried in the 1969 balance sheet as a current asset as these advances will be recovered in 1970.

MARKETING REVIEW

The following table summarizes the metal deliveries by the Company:

	Pounds 1969	Pounds 1968
Nickel	80,647,000	70,712,000
Copper	49,456,000	39,787,000

The demands for nickel, copper and cobalt were exceptionally firm throughout the year, and nickel demand continued to exceed supply. The Sudbury strikes severely aggravated the metal shortage, and your Company, in an effort to supply nickel to customers, depleted inventories which must be replenished in 1970. In spite of new production expected to come onstream during 1970-71, nickel will probably remain in tight supply at least until the latter part of 1971.

In 1969 world copper supplies again lagged behind demand. The production lost during the extended 1967-68 strike in the United States copper mining industry remains a significant factor affecting the supply-demand balance. Strikes, including those in Sudbury, as well as various production difficulties in other copper mining centres, increased the pressure on available supplies.

The Company's cobalt deliveries rose substantially in 1969, reflecting unusually high demand for the metal.

The Company's marketing organization was further strengthened during the past year to provide the most efficient coverage of growing markets. Special attention was directed to broadening the Company's product line to include NICKEL 98, introduced during 1969, iron-nickel pellets slated for commercial production in 1970 and ferronickel from the Dominican Republic project scheduled for 1972. A marked increase has occurred in both the volume and variety of marketing services supplied to the Falconbridge Group. Such services have included feasibility studies, market research, transportation analyses, forecasts and assessments concerning new and existing products. Specialists now advise on marketing, contract preparation and transportation for a score of metals, concentrates, ores and other commodities produced within the Group. Expanded programs of marketing promotion and communications reflected increased demands and opportunities for Falconbridge products.

To help offset substantially higher production costs in the industry and finance new exploration and development activities, producers increased nickel prices late in 1969. The base price of Falconbridge electrolytic nickel was increased 25 U.S.¢ (27 Can.¢) per pound to U.S. $1.28 (Can. $1.38) per pound F.O.B. Thorold, Ontario on November 25, 1969. Corresponding price adjustments were made for other basing points.

During 1969, world copper prices rose significantly, exhibiting a broad general upward trend from January through December. The London Metal Exchange (L.M.E.) average monthly spot cash price increased from a low, equivalent to 56.6 U.S.¢ (61 Can.¢) per pound for January, to a peak of 77.0 U.S.¢ (83 Can.¢) per pound for December.

The major producers raised the price of cobalt in October and again in November. Falconbridge increased the base price of its electrolytic cobalt by 15 U.S.¢ (16 Can.¢) to U.S. $2.00 (Can. $2.15) per pound on October 21 and to U.S. $2.20 (Can. $2.36) per pound on November 24.

OPERATIONS REVIEW

MINES

Ores delivered to treatment plants from Company mines amounted to 3,118,000 short tons, a slight reduction from 3,208,000 short tons in 1968. Except for the three-month strike, ore production for the year would have greatly exceeded that of 1968. During the second quarter, when Strathcona had reached full production, total mine production was running 40% above the 1968 average rate. At year-end, the mines and plants were again operating at pre-strike levels.

Sinking of the production shaft at the Lockerby property commenced in March with an objective of 4,300 feet and at year-end had reached a depth of 1,674 feet below the collar. Seven levels have been established.

Deepening of the main shaft at the Onaping Mine from the original depth of 3,050 feet was completed at 4,400 feet below the collar on July 25th, and level development is now underway.

At the Fraser area which is between Strathcona and Fecunis Lake Mines, plans are underway to sink a 5,100-foot shaft from surface to explore this area at a faster pace than is possible from the Fecunis or Strathcona underground workings. The site has considerable ore potential.

TREATMENT PLANTS

Strathcona Mill operated satisfactorily although occasionally hampered by some equipment weaknesses.

To provide additional smelting capacity plans are in progress to reactivate a blast furnace and converter in the old smelter aisle.

FALCONBRIDGE NIKKELVERK A/S

Production and shipments of nickel, copper and cobalt were at new highs in 1969. The Refinery continued during the strike to treat at a reduced rate the existing stocks of unfinished matte and metals. During the period of reduced metal production extensive overhauls and repairs were carried out. The new Matte Leach commercial scale pilot plant operated successfully.

Research and development in Norway directed to improved processes for use in a projected Canadian refinery, as well as simplification in the Norwegian plant, continued throughout the year at a high level of activity in close coordination with Canadian metallurgical and engineering staffs. A new treatment technique for precious metals was developed.

This photograph of operations in the Falconbridge smelter shows slag pouring in the converter aisle.

The M/V FALCON operated successfully during the year carrying bulk matte to Kristiansand and returning refined metals to North America.

EXPENDITURES ON MINES AND PLANTS

The following table sets forth the capital and preproduction expenditures:

	1969	1968	1967
Property, plant and equipment	$29,212,000	$29,819,000	$33,351,000
Pre-production	1,483,000	8,042,000	8,798,000
Total ..	$30,695,000	$37,861,000	$42,149,000

In 1969, as in 1968, more than half the capital expenditures were made in connection with the new nickel-iron refinery in the Sudbury area. Substantial amounts were also spent on the Strathcona Mine and Mill, the Sudbury housing program, the refinery, the Lockerby Mine, and the Manibridge Mine.

NICKEL-IRON REFINERY

Strikes by construction tradesmen and Falconbridge production employees caused six months' delay in construction, the direct and indirect results of which will considerably increase the cost of the project. It is expected this plant will be ready for initial operation during the third quarter of 1970.

MANIBRIDGE MINE

The Manibridge Mine located in the Manitoba nickel belt contains a small, high-grade deposit of nickel estimated to contain 1,409.000 tons of ore (including 15% dilution) grading 2.55% nickel and 0.27% copper. Preparations commenced in June to put the property in production at an estimated cost of $14,000,000 with operations expected to commence by mid-1971. When in full production the mine is expected to provide 13,700,000 pounds of nickel per annum.

Five miles of access road have been constructed, the plant site cleared, the shaft collared and surface rock excavation for permanent plant carried out. In August, construction was started and by year-end the head frame, ore bins and hoist were operational. Temporary prefabricated buildings, housing a diesel power plant, the office, warehouse and maintenance shops have been completed. Living quarters designed to house 120 men on single status have been constructed and six units have been provided for married staff. A contract has been signed with Manitoba Hydro for supply of power and for construction of the main sub-station and power line to the plant site.

Specially designed for Falconbridge requirements, these railway "slurry cars" carry nickel-copper concentrate across the Sudbury Basin from the Strathcona mill to the company's smelter.

ORE RESERVES—SUDBURY AREA

The year-end review of the Company's ore reserves in the Sudbury District showed an increase of 1,169,700 tons of ore and 723 tons of contained metals after mining 3,118,000 tons of ore during the year. Small amounts of additional ore were developed at existing mines. Additional tonnages were outlined by exploration drilling in other areas. These two factors more than offset the tons of ore mined.

Proved and probable ore at the end of 1969 amounted to 92,808,300 tons with a contained nickel-copper metal content of 1,810,491 tons.

EXPLORATION

Expenditures for exploration in 1969 were the highest in the Company's history. Part of the increase in expenditures is due to the necessity for the Company to expand its search for new

Lockerby Mine, now under development, will be the company's next major nickel production source in the Sudbury Basin. It is scheduled for production in 1975.

nickel ore in order to provide for future production rate increases. New exploration offices were opened in Australia, Congo (Kinshasa), Jamaica and Quebec City. In Canada, exploration activity has been increased in many regions, particularly in the Maritime provinces, the Timmins area and Northern Quebec. Nickel exploration was very active in Manitoba and Northern Quebec, as well as in Western Australia.

RESEARCH AND DEVELOPMENT

Research and development activities in 1969, as in the previous year, continued towards further progress in three principal directions: lateritic ore processing, refining of nickel-copper matte, and production and use of iron-nickel pellets.

New programs of research and development have been undertaken in the search for more economic processes, particularly for remote northern locations, for application of newer techniques in instrumentation, automation and process control in all plants, and for new approaches to metallurgical processes which will help meet the growing demands for improved environmental conditions.

Intensified research in recent years and increasing attention to patent protection for our developments-in-process and apparatus have resulted in the filing of a number of patent applications and the issuance of a number of patents during 1969.

WHOLLY-OWNED SUBSIDIARY COMPANIES

A review of the two major wholly-owned subsidiary companies, Wesfrob Mines Limited and Fahralloy Canada Limited, appears on Pages 24 and 25 of this report.

AFFILIATED COMPANIES

Comments concerning the activities of subsidiary and associated companies appear on pages 26 to 39.

EMPLOYEES

Labour difficulties in the Sudbury District created serious problems for most of the second half of the year. Early in June several of the construction trades went on strike and all construction was shut down for several months. On August 21st your Company's production and maintenance employees (Sudbury Mine, Mill and Smelter Workers' Union) called a strike which ended on November 22nd with acceptance of a three-year collective agreement providing substantial increases in wages and fringe benefits.

At year-end the work force was back to pre-strike levels, with the total payroll standing at 4,049, for a gain of 50 during the year. Turnover rate, however, was high.

In order to attract and retain suitable employees, the Company continued its rental-purchase housing program. During the year, 122 houses

were completed with 46 units still under construction at year-end.

ORGANIZATION

In February, 1969 Mr. Marsh A. Cooper was elected President and Managing Director succeeding Dr. Horace J. Fraser who died suddenly on February 2 and Mr. Neil J. McKinnon, Chairman of the Board of the Canadian Imperial Bank of Commerce, was elected to fill the resulting vacancy on the Board of Directors.

In March Mr. Ian H. Keith, the Vice-President and General Manager of Falconbridge Dominicana, C. por A., was appointed Vice-President—Ferronickel Division.

SHAREHOLDERS

Prior to the expiration of the share purchase warrants in October, 116 shares were issued through the exercise of warrants. An additional 41,110 shares were issued through the exercise of options held by senior officials and employees.

The number of shareholders at the end of 1969 was 12,687, a reduction from 13,799 at the beginning of the year. Shareholders of Canadian registry numbered 9,357 holding 4,251,071 shares, or 85.95% of the outstanding shares.

GOVERNMENT RELATIONS

The Ontario Mining Act, for many years, has required, subject to exemption provisions, that ores derived from properties in Ontario patented subsequent to April, 1917, be processed or refined in Canada to a form usable in the arts. In 1969 the Act was amended by extending the requirement for treatment or refining in Canada to metals derived from all properties in Ontario whether patented before or after April, 1917.

For a number of years a portion of the ores mined and processed by the Company was derived from Ontario properties patented after April, 1917. These were treated at our Falconbridge plants to the matte stage. The contained metals were refined in Norway in accordance with exemptions granted under the Act by Orders-in-Council. The change in the Act in 1969 extended the need for exempting the refining provisions to metals derived from all of the ores mined by the Company in Ontario.

The Government has conditionally granted temporary exemption but it has directed that the Company must provide refining or equivalent facilities in Canada by the end of 1974 for 51% of the metals derived from ores produced in Ontario. The Company has rearranged its long range plans to meet these requirements.

In December your Company's subsidiary, Kilembe Copper Cobalt Ltd., (K.C.C.L.) received a request from the Uganda Development Corporation Limited (U.D.C.) a corporation owned by the Uganda Government, that K.C.C.L. sell to U.D.C. 50% of its holdings of Kilembe Mines Limited. Negotiations between K.C.C.L. and the U.D.C. are continuing.

TAX COMMENTS

We are greatly disturbed by some of the Proposals for Tax Reform contained in the White Paper issued by the Honourable E. J. Benson, Minister of Finance, last November. It is our opinion that the proposals with respect to the taxation of the mining industry will discourage the growth of the mining industry which, along with other natural resource industries, has been such an important contributor to the economic and financial development of Canada.

We wish to make it clear that we are not opposed to tax reforms but we are opposed to measures which in our opinion can only have a negative effect on the economy of our country.

APPRECIATION

Your Directors express their deep gratitude to all personnel of Falconbridge Nickel Mines Limited, and of the affiliated companies, for the large measure of progress recorded in 1969. Special acknowledgment is made of the resourcefulness and skill of those responsible for the speedy reactivation of production following the strike at Sudbury Operations.

The patience of our customers during another year of stringent supply, and in the face of the reduced allocations of nickel necessary in the latter part of 1969, is gratefully acknowledged and appreciated.

On behalf of the Board of Directors,

MARSH A. COOPER,
President and
Managing Director.

Toronto,
March 2, 1970.

Clarkson, Gordon & Co.
Chartered Accountants

Royal Trust Tower
P.O. Box 251 Toronto-Dominion Centre
Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa
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Edmonton Vancouver Victoria

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AUDITORS' REPORT

To the Shareholders of
Falconbridge Nickel Mines Limited:

We have examined the consolidated balance sheet of Falconbridge Nickel Mines Limited and its wholly-owned subsidiaries as at December 31, 1969 and the statements of consolidated earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting for gains and losses on investments in subsidiary and other companies explained in note 9 to the consolidated financial statements.

Toronto, Canada,
February 25, 1970.

Clarkson, Gordon & Co.
Chartered Accountants.

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1969

ASSETS

	1969	1968
CURRENT:		
Cash	$ 2,295,000	$ 2,795,000
Short term investments at cost (approximate market value)	1,382,000	1,841,000
Accounts receivable	22,530,000	23,008,000
Advances to Falconbridge Dominicana, C. por A. (note 5)	13,876,000	
Income taxes recoverable		1,139,000
Inventories at the lower of cost or market (note 3)	11,184,000	17,713,000
	51,267,000	46,496,000
INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AND OTHER COMPANIES at cost less amounts written off:		
Subsidiary companies (notes 1 and 5)		
Shares	39,859,000	36,831,000
Advances and debentures	247,000	2,927,000
	40,106,000	39,758,000
Other Companies		
Shares	25,452,000	25,363,000
Advances and debentures	628,000	571,000
	26,080,000	25,934,000
	66,186,000	65,692,000
FIXED:		
Plant and equipment at cost	242,593,000	213,168,000
Less accumulated depreciation	111,463,000	97,056,000
	131,130,000	116,112,000
Mining and other property at cost	5,597,000	5,399,000
	136,727,000	121,511,000
OTHER:		
Supplies, at average cost	10,867,000	8,728,000
Deposits, long-term accounts receivable and other assets	1,022,000	980,000
Special refundable tax	294,000	611,000
Preproduction expenditures deferred (notes 4 and 8)	41,069,000	41,920,000
	53,252,000	52,239,000
	$307,432,000	$285,938,000

See notes to consolidated financial statements

LIABILITIES

	1969	1968
CURRENT:		
Bank indebtedness	$ 5,550,000	$ 27,125,000
Accounts payable and accrued charges	19,808,000	14,751,000
Income and other taxes payable (estimated)	1,762,000	463,000
	27,120,000	42,339,000
LONG TERM INDEBTEDNESS:		
Mortgages payable on company housing	2,862,000	1,264,000
DEFERRED INCOME AND MINING TAXES	28,023,000	25,356,000
SHAREHOLDERS' EQUITY:		
Capital (note 6)		
Authorized: 5,000,000 shares of no par value		
Issued: 4,946,243 shares (1968 — 4,905,017 shares)	83,570,000	79,620,000
Retained earnings	153,857,000	126,859,000
Reserve for investment in mining companies	12,000,000	10,500,000
	249,427,000	216,979,000
	$307,432,000	$285,938,000

On behalf of the Board:

M. A. COOPER, Director

W. F. JAMES, Director

STATEMENT OF CONSOLIDATED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	Per Share	1968	Per Share
Nickel operations:				
Metal sales and other operating revenues	$137,611,000		$105,206,000	
Cost of sales and operating expenses other than the under-mentioned items	71,589,000		62,519,000	
Selling, general and administrative expenses (note 7)	7,349,000		5,947,000	
	78,938,000		68,466,000	
Operating profit before providing for development and preproduction expenditures and depreciation	58,673,000		36,740,000	
Development and preproduction expenditures written off (note 4)	6,237,000		6,415,000	
Depreciation	10,729,000		6,836,000	
	16,966,000		13,251,000	
Operating profit from nickel operations	41,707,000		23,489,000	
Interest income	1,282,000		388,000	
	42,989,000		23,877,000	
Interest expense	1,550,000		1,644,000	
Expenditures on exploration	6,036,000		4,659,000	
Expenditures on research and process development	2,683,000		2,207,000	
	10,269,000		8,510,000	
Earnings before taxes and other items	32,720,000		15,367,000	
Income and mining taxes:				
Current	2,558,000		460,000	
Deferred	3,680,000		6,140,000	
	6,238,000		6,600,000	
Earnings after taxes, before other items	26,482,000		8,767,000	
Earnings of Wesfrob Mines Limited, Fahralloy Canada Limited and other companies not engaged in nickel operations (note 8)	8,691,000		5,388,000	
Dividends received from:				
Partially-owned subsidiaries	6,493,000		7,464,000	
Other companies	3,488,000		2,842,000	
	9,981,000		10,306,000	
Earnings for the year before gain on investments	45,154,000	$9.13	24,461,000	$4.99
Gain (net) on sales less write-offs of investments in subsidiary and other companies (note 9)	556,000	.11	12,203,000	2.48
Earnings for the year	$ 45,710,000	$9.24	$ 36,664,000	$7.47

See notes to consolidated financial statements

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
Balance at beginning of year		
As previously stated	$125,251,000	$107,761,000
Adjustments relating to prior years (note 9)	1,608,000	1,100,000
As restated	126,859,000	108,861,000
Earnings for the year	45,710,000	36,664,000
	172,569,000	145,525,000
Deduct:		
Dividends paid	17,212,000	17,166,000
Amount appropriated as reserve for investment in mining companies	1,500,000	1,500,000
	18,712,000	18,666,000
Balance at end of year	$153,857,000	$126,859,000

See notes to consolidated financial statements

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
SOURCE OF FUNDS:		
From operations, being:		
Earnings for the year before gain on investments	$ 45,154,000	$ 24,461,000
Charges against earnings which in themselves did not involve a cash outlay during the year:		
Depreciation	14,589,000	9,848,000
Preproduction expenditures written off	2,850,000	5,490,000
Income and mining taxes deferred	2,667,000	6,380,000
	65,260,000	46,179,000
Sale of shares in and reduction of debentures and non-current advances to unconsolidated subsidiary and other companies	5,371,000	15,916,000
Issue of shares under options and warrants	3,950,000	20,000
Mortgages payable on company housing	1,598,000	880,000
Special refundable tax	317,000	364,000
	76,496,000	63,359,000
APPLICATION OF FUNDS:		
Payment of dividends to shareholders	17,212,000	17,166,000
Expenditures (net) on property and plant and on mines to be brought into production in future years (net of deferred taxes of $181,000 in 1968)	31,804,000	38,188,000
Purchase of shares and debentures in and the advancing of funds to unconsolidated subsidiary and other companies	5,309,000	5,553,000
Increase in supplies and other non-current assets	2,181,000	752,000
	56,506,000	61,659,000
Increase in funds during the year	19,990,000	1,700,000
Working capital at beginning of year	4,157,000	2,457,000
Working capital at end of year	$ 24,147,000	$ 4,157,000

See notes to consolidated financial statements

1. The consolidated financial statements for 1969 reflect the financial position and the results of operations of Falconbridge Nickel Mines Limited and all its wholly-owned subsidiary companies.

   The partially-owned subsidiaries have not been consolidated as it is the company's view that a more intelligent appraisal of its financial position may be obtained from the attached financial statements together with the information supplied on pages 26 to 39 with respect to the more important unconsolidated subsidiary and other companies. The earnings of the unconsolidated subsidiary companies are included in income to the extent of dividends received; such dividends were $2,900,000 less than the company's share of the aggregate profits less losses of the subsidiaries for their financial years ended in 1969. The company's share of the aggregate of the accumulated profits less losses of these subsidiaries from date of acquisition to the end of their 1969 financial years not taken up in the parent company's accounts amounted to approximately $11,600,000.

2. Assets and liabilities in currencies other than Canadian dollars have been translated into Canadian dollars at current quoted rates of exchange at December 31, 1969, except fixed assets and the related accumulated depreciation which have been translated at the rates prevailing when the expenditures on fixed assets were made. Revenues and expenses in currencies other than Canadian dollars have been translated into Canadian dollars at the average monthly quoted rates of exchange except that provisions for depreciation have been translated at the rates prevailing when the expenditures on the related fixed assets were made.

3. The cost of inventories derived from the company's own ore (1969 — $4,994,000; 1968 — $12,769,000) has been determined on a "last-in, first-out" basis; the cost of inventories derived from other sources (1969 — $2,383,000); 1968 — $884,000) has been determined on a "first-in, first-out" basis. The concentrate inventories of Wesfrob Mines Limited have been valued at estimated net realizable value (1969 — $2,332,000; 1968 — $2,787,000). The materials inventories of Fahralloy Canada Limited (1969 — $783,000; 1968 — $586,000) have been valued at average cost and its work in process inventories (1969 — $692,000; 1968 — $687,000) at direct cost.

4. It is Falconbridge's practice to:

   (a) defer preproduction expenditures (being expenditures other than capital made for the purpose of bringing new mines into production) until a new mine comes into production at which time such expenditures are written off in an appropriate manner, and

   (b) write-off development expenditures (being those incurred by mines in production) as such expenditures are incurred.

   The write-offs of preproduction and development expenditures are limited to an aggregate annual amount equivalent to $2.00 per ton of company ore treated.

5. The following guarantees and commitments are outstanding in connection with the financing of a subsidiary company, Falconbridge Dominicana, C. por A., which is constructing a mining and metallurgical complex for the production of ferronickel in the Dominican Republic.

   (a) Loans to Falconbridge Dominicana, C. por A. which will amount to an estimated U.S. $180,000,000 on completion of the project are secured by a first mortgage on the assets of the project and by a "take-or-pay" contract under which Falconbridge Nickel Mines Limited has agreed to purchase all ferronickel production of the project and to assume 60% of the contingent liability. These loans (except for U.S. $25,000,000 loaned by the International Bank for Reconstruction and Development) are covered by specific risk insurance issued by the Agency for International Development of the United States Government. Falconbridge has pledged all its holdings of shares (except 47,664 shares optioned to the Dominican Government) of Falconbridge Dominicana, C. por A. against repayment of these loans.

   (b) Falconbridge has also made a direct guarantee for repayment of 60% of the subordinated portion of the loans amounting to U.S. $34,000,000.

   (c) During the period of the above loans there are certain restrictions placed on the amount of borrowings Falconbridge can undertake.

   (d) In the event that expenditures on the Dominican project exceed U.S. $180,000,000 Falconbridge has agreed to provide 60% of any such excess.

   Advances by the company to Falconbridge Dominicana, C. por A. were repaid in 1970 when funds became available under the financing arrangements referred to above.

   In 1970 Falconbridge entered into an agreement with New Quebec Raglan Mines Limited providing for the continuation of exploration and development work by Falconbridge on the property of New Quebec Raglan's subsidiary, Raglan Quebec Mines Limited. Expenditures of up to $7,500,000 may be made under this agreement for which Falconbridge will receive 8% redeemable non-voting cumulative preferred shares of Raglan Quebec Mines Limited at par for each one dollar expended and one share of the capital stock of New Quebec Raglan Mines Limited for each $37.50 so spent. In 1970 Falconbridge purchased 500,000 shares of New Quebec Raglan Mines Limited for cash at $15.00 per share.

6. In 1968 the company reserved 90,000 unissued shares for the purpose of granting to certain officers and employees options to purchase shares of the company exercisable at 95% of the market price at the close of business on the day preceding the granting of the option. In 1968 options expiring December 19, 1978 were granted to purchase 84,500 shares at $96.00 per share. During 1969 there were 41,110 shares issued under these options and options on 800 shares were terminated due to cessation of employment. At December 31, 1969, options on 42,590 shares were outstanding.

A further 116 shares were issued in 1969 for approximately U.S. $20.00 per share on exercise of warrants held by former debenture holders of Ventures Limited and no further warrants remain outstanding.

7. Remuneration of directors and senior officers of the company:

	1969	1968
Paid by the company and its consolidated subsidiaries	$ 872,000	$ 868,000
Paid by other subsidiaries of the company	60,000	58,000
	$ 932,000	$ 926,000

8. Earnings of wholly-owned subsidiaries not engaged in nickel operations include the following:

	1969	1968
Sales and operating revenues	$27,204,000	$19,033,000
Depreciation	3,860,000	3,012,000
Preproduction expenditures *	2,850,000	2,138,000
Income and mining taxes (including deferred taxes of $1,013,000 recovered in 1969 and $222,000 provided in 1968)	(956,000)	251,000

* Preproduction expenditures deferred by Wesfrob prior to commencement of production in 1968 are being written off at a rate of 15% per annum.

9. In accordance with recent recommendations of the Research Committee of the Canadian Institute of Chartered Accountants the company:

   (a) adopted the policy of including gains and losses on investments in subsidiary and other companies in the statement of consolidated earnings rather than in the statement of consolidated retained earnings. Earnings for 1968 have been restated to give retroactive effect to this change.

   (b) restated the 1968 figures from amounts previously reported to give effect to the receipt in 1969 of final settlement of an insurance claim and assessments resulting in a reduction of income taxes relating to prior years.

STATEMENT OF CONSOLIDATED INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AN

	1969			
		SHARES		
SUBSIDIARY COMPANIES:	Number of shares or par value	% of outstanding capital	Indicated market value (note A)	Advances and debenture
Alminex Limited	3,913,871	51.2	$ 23,483,000	
Canadian Malartic Gold Mines Limited				
Delbridge Mines Limited	1,045,831	51.0		
Dominion Magnesium Limited	263,004	55.2	1,578,000	
Falconbridge Dominicana, C. por A. (notes B, C and D)	1,033,426	68.9		
Horne Fault Mines Limited	2,202,747	61.0	374,000	$ 7,00
Indusmin Limited	805,762	69.0	12,691,000	
Kiena Gold Mines Limited				
Preferred shares (note B)	2,467,459	100.0		
Common shares	3,331,203	68.3	2,832,000	
6% income debentures due December 31, 1977-78	$ 250,000			215,00
Kilembe Copper Cobalt Ltd.	2,820,827	72.8	23,977,000	
Lake Dufault Mines Limited	2,111,631	51.1	38,537,000	
La Luz Mines Limited	878,600	55.6	9,225,000	
New Pascalis Mines Limited	735,494	61.3	257,000	
New Quebec Raglan Mines Limited (note D)	4,551,935	60.7	91,039,000	
Oamites Mining Company (Proprietary) Limited	253,680	75.0		
Raglan Quebec Mines Limited (notes B and D)				
6% Redeemable non-voting cumulative preferred shares	7,500,000	100.0		
8% Redeemable non-voting cumulative preferred shares	590,248	100.0		
Miscellaneous shareholdings and advances			210,000	25,00
			$204,203,000	$ 247,00
OTHER COMPANIES:				
Akaitcho Yellowknife Gold Mines Limited	1,198,230	36.7	$ 683,000	
Canada Tungsten Mining Corporation				
6% debentures due December 31, 1971	$ 389,136			$ 389,00
Dunraine Mines Limited	1,068,488	48.6	374,000	25,00
Fahralloy-Wisconsin Limited				
Class A shares (note B)	2,000	50.0		100,00
Giant Yellowknife Mines Limited	824,413	19.2	6,389,000	
Joliet-Quebec Mines Limited	1,128,800	22.0	322,000	
Marbridge Mines Limited (note B)	1,500,000	50.0		
McIntyre Porcupine Mines Limited	175,825	7.4	26,066,000	
Opemiska Copper Mines (Quebec) Limited	1,993,236	36.1	27,407,000	
Thompson-Lundmark Gold Mines Limited	600,000	12.0	168,000	
United Keno Hill Mines Limited	1,195,989	48.4	7,774,000	
Miscellaneous shareholdings and advances			828,000	114,00
			$ 70,011,000	$ 628,00
Total			$274,214,000	$ 875,00

THER COMPANIES AS AT DECEMBER 31, 1969

1968			
	SHARES		
Number of shares or par value	% of outstanding capital	Indicated market value (note A)	Advances and debentures
3,913,871	51.2	$ 24,266,000	
2,213,222	60.6	332,000	
617,721	51.0		
263,004	55.2	1,446,000	
1,279,866	85.4		$2,340,000
1,988,638	58.5	298,000	
805,688	69.0	17,016,000	
2,467,459	100.0		
3,331,203	68.3	4,330,000	
$ 250,000			215,000
2,820,827	72.8	28,208,000	
2,111,630	51.1	14,464,000	
878,600	55.6	8,039,000	
735,494	61.3	331,000	
4,536,196	60.5	53,301,000	
3,280,894	100.0		
		259,000	372,000
		$152,290,000	$2,927,000
1,198,230	36.7	$ 719,000	
$ 389,136			$ 389,000
1,068,488	48.6	438,000	
2,000	50.0		100,000
824,409	19.2	11,130,000	
1,128,800	22.0	373,000	
1,500,000	50.0		
175,825	7.4	16,440,000	
1,993,236	36.1	18,538,000	
600,000	12.0	228,000	
1,195,989	48.4	8,372,000	
		942,000	82,000
		$ 57,180,000	$ 571,000
		$209,470,000	$3,498,000

NOTES

A. The market values shown are based on closing market prices at December 31, 1969 and December 31, 1968. Because of the number of shares involved and the fact that in certain instances the securities listed herein represent control of the companies concerned, the amounts that would be realized if these securities were to be sold may be considerably more or less than their indicated market value.

B. The relative securities of these companies are not traded and accordingly no market values are available.

C. An option to purchase 47,664 shares of Falconbridge Dominicana, C. por A. at U.S. $10.00 per share has been granted to the Dominican Government. If this option is exercised the Company will hold 985,762 shares or 65.7%.

D. Additional information in respect to these subsidiaries is set out in note 5 to these financial statements.

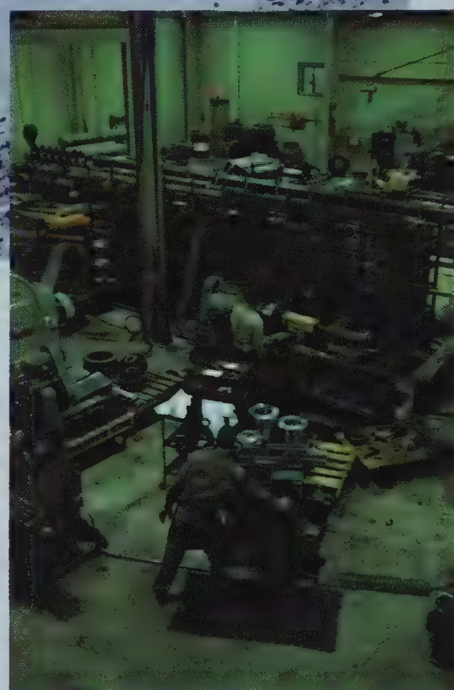
COMMENTS ON THE MORE IMPORTANT CONSOLIDATED WHOLLY-OWNED SUBSIDIARY COMPANIES

FAHRALLOY CANADA LIMITED

Despite a high production volume accompanied by satisfactory profits in the first quarter of 1969, the balance of the year was disappointing due to prolonged strikes in the plants of a number of major customers. While the company was able to offset the loss of work from these customers by obtaining orders from other sources, it simply did not produce desired profit margins. It is anticipated that 1970 will be a more stable year.

Shipments and earnings of Fahralloy-Wisconsin Limited in which Fahralloy has a 50% interest, were up 13% and 34% respectively. Further profitable growth is expected in 1970.

Fahralloy's earnings, including its interest in the earnings of Fahralloy-Wisconsin Limited, plus a dividend in the amount of $327,000 received on shares held in an associated company, amounted to $617,000 compared with $334,000 in 1968.



The large, new machine shop of Fahralloy-Wisconsin Limited (upper left) harmonizes with the clean-cut design of Fahralloy's Plant 3 in Orillia, Ontario. The new facility, opened in 1969, handles all machining requirements for the Fahralloy companies. Lower photo shows lathes in a section of the shop.

Financial	Year ended December 31 1969	1968
Depreciation	$ 227,000	$ 213,000
Equity in earnings of Fahralloy-Wisconsin Limited	89,000	68,000
Income taxes — deferred	225,000	311,000
Earnings for year (production)	290,000	334,000
Dividend on shares held in an associated company	327,000	—
Total net earnings	617,000	334,000

Management 1969

Chairman of the Board	T. G. Beament, Orillia, Ontario
President and Managing Director	J. A. Wilson, Orillia, Ontario

WESFROB MINES LIMITED

The year 1969 was the first full year of operations. Operating costs were favourable and production was maintained at maximum rates after May when it was learned that purchases during the Japanese fiscal year would be increased to maximum contractual levels.

A drilling program of 17,000 feet was completed on the Dela Blujay claims west of No. 3 Zone. Results gave sufficient encouragement to consider plans for further exploration from underground. A modest surface mapping-magnetometer survey south of No. 3 Zone was initiated and scheduled for completion in 1970.

Continued shortage of skilled mechanical labour and high turnover created problems during the year.

This view of the Tasu property shows the cobbing plant (white building at left), the fine ore bins and, at extreme right, the concentrator building.

Tasu, an attractive new island community 500 miles northwest of Vancouver, offers suburban-type convenience for employees and their families. This bright, co-op supermarket symbolizes the "new look" in Canadian mining towns.

Production	Jan. 1 - Dec. 31 1969	April 1 - Dec. 31 1968
Iron concentrates — dry metric tons	943,759	692,113
Copper concentrates — dry metric tons	32,825	26,522
Copper in concentrates — pounds	15,095,000	12,211,000
Financial		
Value of production	$ 19,716,000	$ 12,183,000
Operating profits before undermentioned items	13,712,000	7,828,000
Depreciation including loss on disposal of fixed assets	3,516,000	2,683,000
Preproduction expenditures written off	2,850,000	2,138,000
Estimated net proceeds of loss of profits insurance	—	1,805,000
Income and mining taxes deferred	(1,193,000)	(89,000)
Earnings for period	$ 8,568,000	$ 4,958,000

Management 1969

President	D. R. DeLaporte, Toronto
Mine Manager	F. A. Godfrey, Tasu, Queen Charlotte Islands, B.C.

COMMENTS ON THE MORE IMPORTANT UNCONSOLIDATED SUBSIDIARY AND ASSOCIATED COMPANIES

ALMINEX LIMITED

Production of crude oil and natural gas liquids during 1969 averaged 4,003 barrels per day, net after royalty, a 6.4% increase over 1968. Record production of 4,526 barrels per day was achieved in December. The net average daily production of natural gas was 15.7 million cubic feet, up 13.2%. Sulphur production was 9,673 long tons, essentially the same as in 1968, but sales totalled only 84% of production and at substantially lower prices thereby reducing the income from this source.

Net income totalled $943,000, an increase of 26.3% over 1968.

The dividend payment was $917,000 or 12¢ per share, the same as in 1968. Because of increased capital expenditures the company's bank loan increased to $872,000 at year-end.

As of December 31, 1969, after providing for the year's production, net proven and probable reserves of natural gas showed an increase of 3.7% over 1968 while crude oil and natural gas liquids decreased 1.8%.

Management 1969
President
F. R. Burton, Toronto
Vice-President and General Manager
J. N. Stephen, Calgary

Shown above is an "Ocean Traveller" at a 1969 Home Alminex drilling location in the North Sea, about 20 miles off the English coast. Sea depth at this point was 192 feet. A 147-foot high derrick rises above the 225 x 265-foot platform, which includes the "helideck" at left.

Capitalization	As at December 31, 1969 Outstanding	Held by Falconbridge	
Common shares	7,645,661	3,913,871	51.2%

Debt	
Outstanding loans December 31, 1969	$ 872,000

Production	1969	1968	Increase
Crude oil and natural gas liquids — barrels per day	4,003	3,762	6.4%
Gas — thousands cubic feet per day	15,700	13,900	13.2%
Sulphur — long tons	9,673	9,680	—

Reserves (proven and probable)	As at December 31 1969	1968
Crude oil and natural gas liquids — barrels	50,767,000	51,687,000
Natural gas — billions of cubic feet	177.3	170.9
Sulphur — long tons	243,000	252,000

Financial	Year ended December 31 1969	1968
Net production income after royalties and operating expenses	$ 4,252,000	$ 4,177,000
Earnings before write-offs for depreciation, depletion and property surrendered	3,038,000	2,712,000
Income tax	694,000	745,000
Earnings after all charges	943,000	747,000
Dividends paid — $0.12 in 1969 and 1968	917,000	917,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 483,000	$ .10
Dividends paid	470,000	.10
Excess of earnings over dividends	$ 13,000	$ —

DELBRIDGE MINES LIMITED

With the improvement in zinc prices, this property, which had been placed on a care-and-maintenance basis in 1967 was brought into production on October 1, 1969. During the year $688,000 was spent on pre-production development work which brought costs to the date of commencement of production to $1,068,000. Capital expenditures were $118,000. Net profit for the three months' operation amounted to $465,000.

Operations were supervised by the staff of Lake Dufault Mines Limited under the terms of an agreement with that company. Mining is being carried out by an independent contractor. All ore was shipped to the Quemont mill for treatment on a custom basis.

A total of 57,494 tons of ore averaging 10.3% zinc, 0.7% copper, 3.25 ounces silver per ton and 0.08 ounce gold per ton was treated at the Quemont mill. Of this tonnage 11,050 tons were treated during the preproduction period.

Ore reserves at year-end were 284,500 tons averaging 11.7% zinc, 0.9% copper, 3.9 ounces silver per ton and 0.10 ounce gold per ton.

Management 1969

President	J. R. Smith, Toronto
Mine Manager	W. R. Wright, Noranda

	As at December 31, 1969 Outstanding	Held by Falconbridge	
Capitalization			
Common shares	2,050,650	1,045,831	51.0%

Production	Oct. 1 - Dec. 31 1969
Tons milled	46,000
Copper in concentrates — pounds	549,000
Zinc in concentrates — pounds	9,142,000
Gold in concentrates — ounces	3,000
Silver in concentrates — ounces	103,000
Financial	
Net value of metals produced	$ 1,238,000
Earnings after all charges	465,000
Working capital	823,000

Falconbridge interest in		Per share of Falconbridge
Net earnings after all charges	$ 237,000	$ .05

Official opening of Delbridge Mine late in 1969 by The Honourable Paul-E. Allard, Minister of Natural Resources, Province of Quebec.

FALCONBRIDGE DOMINICANA, C. por A.

In 1956 a subsidiary of Falconbridge Nickel Mines Limited acquired title to a large deposit of laterite nickel in the Dominican Republic and since that time it has actively investigated the deposit to determine its dimensions and grade. When it was established that the orebody was of sufficient size and grade to indicate the likelihood of a commercial operation a detailed metallurgical investigation which included extensive pilot plant operation was undertaken designed to develop the commercial processes to treat the ore.

By the end of 1967 sufficient geological exploration had been completed to outline about 63,000,000 tons of nickel oxide ore grading 1.55% nickel. At the same time, metallurgical work had progressed to the stage where the economic feasibility of a ferronickel plant with a rated daily capacity of 9,000 tons was assured. Consequently discussions with the Government of the Dominican Republic and with financial and other institutions were started in 1968 and accelerated in 1969.

The original agreement with the Government for the exploration and exploitation of the concession, which was signed in 1956 required modification in order to establish equitable and workable arrangements between the Government and the Company. Revisions to this agreement were signed in September, 1969. The agreement as revised provided, amongst other things, for the further exploration of the concession area, income tax at a rate of 33% per annum and the right of investors to receive interest and dividends, and repayments of loans in the currency of investment.

Concurrent with the discussions with the Government, negotiations were carried on for borrowings of U.S. $180,000,000. These will consist of senior loans of $41,000,000 provided by a Canadian and a U.S. commercial bank, $80,000,000 by certain U.S. insurance companies, and the equivalent of U.S. $25,000,000 by the International Bank for Reconstruction

The upper photograph shows excavation of the Smelting Building site, as seen from the site of the Reduction Building. Rising in the background is steel being erected for a portion of the Ore Storage Building, a close-up of which appears in the lower photograph.

(World Bank), together with a subordinated loan of $34,000,000 from the insurance companies.

To facilitate the financing of the project, Falconbridge sold to Armco Steel Corporation, a leading U.S. steel manufacturing company, 20% of its shareholdings in Falconbridge Dominicana thus providing Armco with a significant equity interest. Consideration for the sale of these shares included an undertaking by Armco to join Falconbridge in assuring or guaranteeing repayment of the loans of Falconbridge Dominicana and in the provision of additional construction funds if required, all on a 60/40 basis. A summary of Falconbridge undertakings in this respect is set out in note 5 to the financial statements on page 20.

Arrangements have been made for insuring the loans from the banks and insurance companies against losses from expropriation, war, revolution, insurrection and inconvertibility by the Agency for International Development of the U.S. Government.

Pending availability of loan funds, the project expenditures were financed by Falconbridge Nickel Mines Limited. These advances which appear in the balance sheet at Can. $13,876,000 are to be repaid early in 1970 from the first drawdown of the loan funds.

Agreements have been concluded by which Falconbridge Nickel Mines Limited will provide Falconbridge Dominicana with management and technical services and the marketing of its production of ferronickel.

Construction of the plant is now underway. It is expected that the ferronickel plant will come on-stream in early 1972.

	As at December 31, 1969		
Capitalization	Outstanding	Held by Falconbridge	
Common shares	1,500,000	985,762*	65.7%

*excluding shares under option to the Dominican Government — note C, page 23.

Debt			
Advances by Falconbridge	$13,875,856	$13,875,856	100.0%

Management 1969

President	M. A. Cooper, Toronto
Executive Vice-President	E. L. Healy, Toronto
Vice-President & General Manager	I. H. Keith, Santo Domingo

Well designed, comfortable homes (as shown below) are being constructed for employees' families. Upper right: Steel sections for the ferronickel project being unloaded at port of Haina. Lower right: Placement of gravel base for the conveyor tunnel at the Ore Storage Building.

DOMINION MAGNESIUM LIMITED

The consolidated net income for the year was $297,000 or 62¢ per share compared to a loss of $97,000 (20¢ per share) in 1968. This increase was due mainly to an increase in sales volume for magnesium and calcium together with somewhat better prices for magnesium.

The sales of Aerometals Limited improved by 5.7% to $614,000 due mainly to increased sales of the concrete handling bucket.

Capital expenditures totalled $893,000 with about one-half this amount spent on equipment at the Haley plant and one-half for the ferrosilicon smelter at Beauharnois.

Capitalization	As at December 31, 1969 Outstanding	Held by Falconbridge	
Common Shares	476,270	263,004	55.2%

Shipments	Year ended December 31 1969	1968
Magnesium — pounds	22,649,000	22,200,000
Calcium — pounds	943,000	469,000
Thorium — pounds	900	1,000
Titanium — pounds	500	4,000
Dolomite — tons	28,000	20,000
Financial		
Net sales	$ 9,710,000	$ 8,553,000
Earnings before depreciation	600,000	190,000
Earnings (loss) after all charges	297,000	(97,000)
Dividends paid — $0.25 in 1969	119,000	—
Working capital	3,102,000	3,424,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 164,000	$ .03
Dividends paid	66,000	.01
Excess of earnings over dividends	$ 98,000	$ .02

Management 1969

President
M. A. Cooper

Vice-President and General Manager
J. Thomson, Toronto

Plant Manager
D. J. McPhail, Haley, Ontario

Plant Manager (Aerometals Limited)
W. Z. Jarmicki, Toronto

Magnesium buckets designed and manufactured in the Toronto plant of Aerometals Limited (a Dominion Magnesium subsidiary) are gaining wide acceptance in the construction industry. Their lighter weight contributes to faster and more economical handling of concrete on major projects.

GIANT YELLOWKNIFE MINES LIMITED

Tonnage produced for the year at 399,647 was at near record levels and the grade was slightly improved over 1968. Earnings were $1,899,000 as compared to $1,990,000 in 1968.

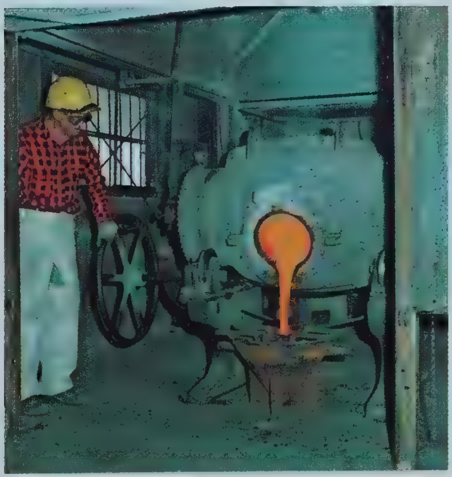
Operating expenditures increased due to rising labour and material costs and also because of the heavy development program undertaken during the year.

Although the labour supply was improved there was a continuing shortage of skilled stope and development miners. Turnover, although still high, has improved.

During 1969 no significant tonnages of new ore were developed despite an active drill program and reserves declined 74,750 tons. The developed reserves for Giant, Lolor and Supercrest at December 31, 1969 were 1,613,500 tons at 0.686 ounce of gold per ton compared with last year's reserves of 1,688,250 tons at 0.725 ounce per ton.

In the last quarter, the abrupt drop in free market gold prices caused a serious drop in the profits from the operation. Little improvement in gold prices is predicted for 1970.

Pouring of gold bars in the company's refinery.



Surface plant of Giant Yellowknife Mines Limited in the Northwest Territories. During 1969, Giant Yellowknife produced 230,000 ounces of gold.

Capitalization	As at December 31, 1969 Outstanding	Held by Falconbridge	
Common Shares	4,303,050	824,413	19.2%

Production (Consolidated)	Year ended December 31 1969	1968
Tons milled	400,000	375,000
Gold produced — ounces	230,000	210,000

Financial (Consolidated)	1969	1968
Net value of metals produced	$ 9,824,000	$ 8,739,000
Earnings before amortization and depreciation	2,330,000	2,397,000
Earnings after all charges	1,899,000	1,990,000
Dividends paid — $0.40 in 1969 and 1968	1,721,000	1,721,000
Working capital	6,418,000	6,432,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 365,000	$ .07
Dividends paid	330,000	.07
Excess of earnings over dividends	$ 35,000	$ —

Management 1969

President and Managing Director	D. R. DeLaporte, Toronto
Mine Manager	D. J. Emery, Yellowknife, N.W.T.

INDUSMIN LIMITED

The 1969 sales volume of $8,220,000 represents an increase of 11.4% over 1968 in spite of situations adversely affecting two of the three operating divisions. The employees of the Quebec Silica Division were out on strike for one week in April prior to the settlement of a new labour agreement. The tonnage lost was not regained. The prolonged labour strikes in the construction industry in Toronto, the principal market for the Aggregates Division, very significantly lowered the demand.

Completion of plants at Badgeley Island and Midland for the Ontario Silica Division was delayed for many weeks by strikes affecting the contractor's work force and various equipment suppliers. This division will commence operations in May of 1970. The estimated capital investment is $6,400,000.

Capitalization	As at December 31, 1969 Outstanding	Held by Falconbridge	
Common shares	1,167,901	805,762	69.0%

Financial	Year ended December 31 1969	1968
Sales of all products	$ 8,220,000	$ 7,379,000
Earnings before amortization and depreciation	2,663,000	2,433,000
Earnings after all charges	1,599,000	1,333,000
Dividends paid — $0.75 in 1969 and 1968	876,000	825,000
Working capital	(1,135,000)	2,305,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 1,103,000	$ .22
Dividends paid	604,000	.12
Excess of earnings over dividends	$ 499,000	$ .10

Management 1969

President and Managing Director — J. J. Mather, Toronto

Advanced stage of construction at Indusmin's new silica processing plant at Midland, Ontario, scheduled for production in the Spring of 1970, which will treat silica mined on Badgeley Island in Georgian Bay. When the plant is in operation, Indusmin will become the first supplier of high-purity silica products in Ontario.

KILEMBE COPPER COBALT LTD.

Production from the smelter of the Company's subsidiary in Uganda, Kilembe Mines Limited, increased by 6% to 16,310 long tons of blister copper. Although total production expenditures increased slightly there was a small decrease in the cost per ton of ore treated and of blister copper produced due to the larger tonnages treated. The average price received from the sale of copper was 73¢ per pound compared to 60¢ in 1968.

Consolidated earnings for the year increased by 51¢ per share to $1.13 per share and working capital increased by $1,875,000 to $4,695,000.

Proved and probable ore reserves at December 31, 1969 were 6,009,000 short tons averaging 1.93% copper, a slight reduction from 6,166,000 tons averaging 1.99% at the end of 1968. In addition it is estimated that there are 2,520,000 tons of possible ore grading 1.79% copper (1968-1,846,000 tons of 1.97% copper).

A new ore deposit was located in the Namhuga area some 4,000 feet southeast of the main mine. Work on this new deposit will be intensified and should result in an addition to the ore reserves.

The Uganda Development Corporation Limited, a corporation owned by the Uganda Government, has requested that Kilembe Copper Cobalt Ltd. sell to the Corporation 50% of its shares in Kilembe Mines Limited. Negotiations are now being carried on with the Corporation in an endeavour to reach an agreement which will be satisfactory to both parties.

	As at December 31, 1969		
Capitalization	Outstanding	Held by Falconbridge	
Common shares	3,877,027	2,820,827	72.8%

	Year ended December 31	
Production	1969	1968
Tons milled	1,080,000	1,022,000
Blister copper produced — long tons	16,000	15,000
Financial (Consolidated)		
Net value of metals produced	$25,310,000	$19,102,000
Earnings before amortization, depreciation and minority interest	7,826,000	5,070,000
Earnings before minority interest	6,188,000	3,416,000
Earnings after all charges and minority interest	4,395,000	2,426,000
Dividends paid — $0.75 in 1969, $0.60 in 1968	2,908,000	2,326,000
Working capital	4,695,000	2,820,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 3,199,000	$ .65
Dividends paid	2,117,000	.43
Excess of earnings over dividends	$ 1,082,000	$ .22

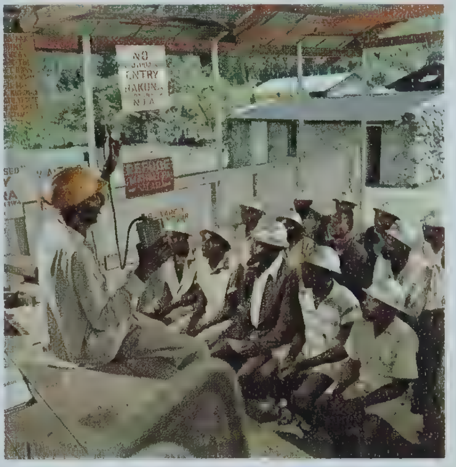
Management 1969

Kilembe Copper Cobalt Ltd.

President — G. T. N. Woodrooffe, Toronto

Kilembe Mines Limited

Chairman and Managing Director — A. E. Pugsley, Kilembe, Uganda



The training of young Africans in mining techniques, mine safety and communications forms part of the broad educational program carried out for many years at Kilembe operations. Several hundred Ugandans are now in supervisory positions. The lower photo shows a section of the mill.

LA LUZ MINES LIMITED

Consolidated earnings (after extraordinary items) for the year ended September 30, 1969 amounted to $1.86 per share compared to $2.48 per share in 1968. The reduction in earnings reflected the drop in grade of ore treated from 2.94% to 1.98% copper but was offset to some extent by the higher average price received for copper of 66.4¢ per pound, 6½¢ higher than in 1968.

Working capital increased during the year by $475,000 to $6,141,000 at September 30, 1969.

On December 31, 1968 La Luz purchased all the property and assets (including the Rosita mine) of its wholly-owned subsidiary, Rosita Mines Limited. On the same date La Luz sold for cash all its shares in Rosita Mines Limited.

Work continued on the expansion of the treatment facilities at the Rosita Mine to at least 2,000 tons per day. It is expected that the expanded sections of the plant will be in operation early in the second quarter of 1970. Capital expenditures in the fiscal year totalled $1,593,000.

The proved and probable ore reserves at December 31, 1969 amounted to 1,450,000 tons grading 1.21% copper and .016 ounce gold per ton.

Earnings for the three months ended December 31, 1969 were 24¢ per share down 15¢ from 39¢ in the same period of 1968. A dividend of 25¢ per share was paid in December 1969.

Capitalization	As at December 31, 1969 Outstanding	Held by Falconbridge	
Common shares	1,580,759	878,600	55.6%

Production	Year ended September 30 1969	1968
La Luz		
Tons gold ore milled	Nil	566,000
Ounces gold produced	Nil	49,000
Pounds copper produced	Nil	446,000
Rosita		
Tons copper ore milled	295,000	280,000
Pounds copper in concentrates produced	9,723,000	13,630,000

Financial (Consolidated)	(in U.S. funds)	
Net value of metals produced	$ 5,664,000	$ 8,930,000
Earnings before amortization and depreciation	3,221,000	4,190,000
Earnings after all charges and extraordinary items	2,943,000	3,924,000
Dividends paid — Can. $0.75 in 1969, Can. $3.00 in 1968	1,103,000	4,396,000
Working capital	6,141,000	5,666,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges and extraordinary items	$ 1,636,000	Can. $ .35
Dividends paid	613,000	.13
Excess of earnings over dividends	$ 1,023,000	Can. $ .22

Management 1969

President	H. S. McGowan, Nassau, Bahamas
Manager, La Luz	J. Plecash, Siuna, Nicaragua
Manager, Rosita	C. L. Spencer, Siuna, Nicaragua

Upper photograph shows exploration drilling on La Luz property in Nicaragua. Open-pit copper mining operations at Rosita Mine are shown in lower photograph, with a section of employee housing area in background.

LAKE DUFAULT MINES LIMITED

Net earnings of $4,359,000 or $1.05 per share were up from $2,817,000 or $0.68 per share in 1968, due to the sharp increase in metal prices and lower operating costs. The copper contained in concentrates produced during the year was valued at 71.4¢ per pound compared with 52.2¢ in 1968 and the price for zinc averaged 14.5¢ per pound in 1969 compared with 14¢ in 1968. Operating costs were $4.80 per ton milled. These results were obtained from less tons of lower grade ore than in the previous year.

405,790 tons of ore averaging 1.71% copper and 2.21% zinc were treated. Tonnage and grade were down slightly from the previous year.

C Zone development was well advanced at year-end. All permanent work and installations were completed. Production from this zone is scheduled to start early in the second quarter of 1970. A large percentage of the tonnage from blast hole stoping will be from this zone.

The ore reserves at year-end of 714,000 tons grading 1.5% copper and 1.5% zinc are sufficient to continue production at the present rate to the end of the third quarter of 1971, at which time production from the Millenbach Mine is scheduled.

Sinking at the Millenbach Shaft progressed well until late in October when massive sulphides were unexpectedly encountered in the shaft. Since then sinking has been slowed due to poorer ground conditions than had been experienced previously. Shaft depth at year-end was 3,200 feet and ten levels had been established. A program of lateral drives and detail diamond drilling will be started early in 1970 to fully evaluate this significant ore occurrence. Expenditures for the year on this project totalled $1,108,000 of which $978,000 was for development.

The exploration footage drilled from the surface totalled 183,000 feet. Although no sulphides of obvious economic significance have been encountered, results on the whole were not entirely negative; areas which appear to warrant further work have been indicated and it is planned to continue exploration at about the same rate. Expenditure for the year on surface exploration amounted to $1,272,000.

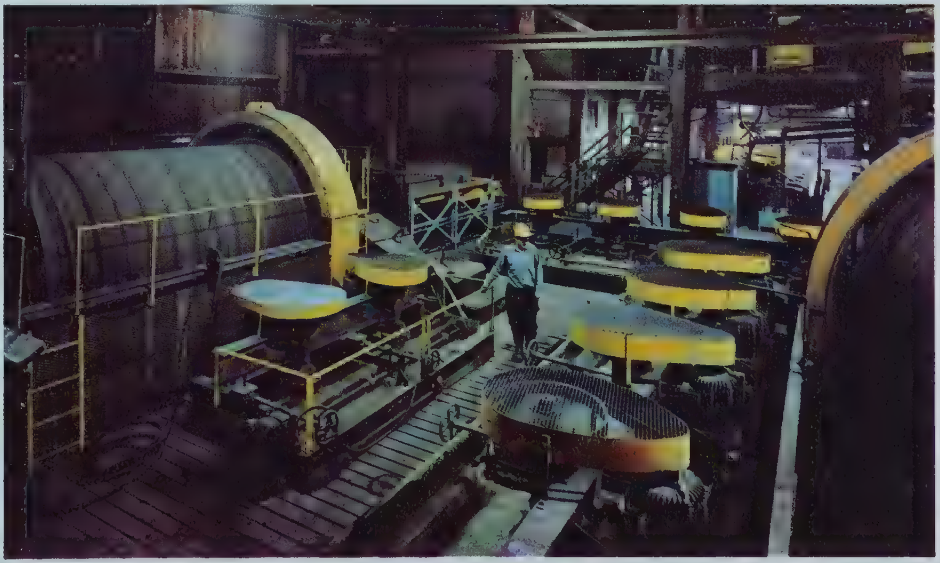
Capitalization	As at December 31, 1969 Outstanding	Held by Falconbridge	
Common shares	4,134,750	2,111,631	51.1%

Production	Year ended December 31 1969	1968
Tons ore milled	406,000	415,000
Copper in concentrates — pounds	13,108,000	16,087,000
Zinc in concentrates — pounds	12,249,000	24,613,000
Financial		
Net value of metals produced	$ 8,857,000	$ 8,944,000
Earnings before amortization and depreciation	4,542,000	4,551,000
Earnings after all charges	4,359,000	2,817,000
Dividends paid — $1.00 in 1969, $1.25 in 1968	4,135,000	5,168,000
Working capital	11,102,000	11,525,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 2,227,000	$ .45
Dividends paid	2,113,000	.43
Excess of earnings over dividends	$ 114,000	$ .02

Management 1969

President	J. R. Smith, Toronto
Mine Manager	W. R. Wright, Noranda, Quebec



Grinding bay in the Lake Dufault concentrator, showing unit flotation cells (centre), rod mill at left and ball mill at far right.

NEW QUEBEC RAGLAN MINES LIMITED

(and its wholly-owned subsidiary Raglan Quebec Mines Limited)

The subsidiary company entered into an agreement dated May 1, 1967 to issue 6% cumulative redeemable preferred shares at par value of one dollar to Falconbridge Nickel Mines Limited as consideration for exploration and development expenditures incurred by Falconbridge on the company's properties to the extent of $7,500,000. During 1969 Falconbridge made expenditures of $4,219,107 which when added to the $3,280,893 incurred in prior years completed the total of $7,500,000 authorized under the agreement.

By agreement dated as of December 31, 1969 (which is subject to approval by the Raglan shareholders), Falconbridge has agreed to continue the program of exploration and development work to the extent of an additional $7,500,000 and will, receive as consideration, 8% redeemable cumulative preferred shares at par value of one dollar of the subsidiary company, and for each $37.50 expended on the program, one common share of the parent company. Provisions of this new agreement will apply to $590,248 of the expenditures incurred by Falconbridge in 1969.

The tax benefits of the expenditures under both agreements are to be claimed by Falconbridge Nickel Mines Limited.

The company properties were maintained in good standing during the year. 930 new claims were staked adjoining to the north, 12 claims at Douglas Harbour, 10 claims to cover the airstrip, and one claim at Wakeham Bay.

During the year 31,751 feet of diamond drilling were completed mainly in the Katiniq area. Indicated probable ore reserves were increased in the Katiniq area by 1,469,600 tons. Total indicated ore reserves for Donaldson and Katiniq are estimated at 7,483,200 tons at grade of 3.53% nickel and 0.90% copper (undiluted).

The Donaldson shaft sinking plant was completed during the year and the shaft sunk 698 feet to a depth of 753 feet below collar. Stations were cut at the 350, 525 and 700 foot horizons.

The airstrip was lengthened from 3,000 feet to 5,500 feet, permitting use of DC-4 aircraft. The laydown area at Wakeham Bay was enlarged and two 10,000-barrel oil tanks erected. Seven boat shipments were received at Wakeham Bay during the shipping season, including one oil tanker.

Engineering and feasibility studies continued throughout the year. Studies of Douglas Harbour confirm advantages over Wakeham Bay as a permanent access port and it is much closer to the mine sites.

Eskimo employee on "Flextrack" vehicle at Raglan, with Donaldson headframe in background.

Capitalization	As at December 31, 1969 Outstanding	Held by Falconbridge	
Common shares —			
New Quebec Raglan Mines Limited	7,500,000	*4,551,935	60.7%
Preferred shares —			
Raglan Quebec Mines Limited	8,090,248	*8,090,248	100.0%

* Including shares to be issued for expenditures made to December 31, 1969.

Management 1969

President	J. R. Smith, Toronto
Falconbridge Project Manager	H. A. Leavitt, Montreal

OAMITES MINING COMPANY (PROPRIETARY) LIMITED

The Company's copper-silver property is situated in South West Africa some 30 miles south of Windhoek, its capital.

Diamond drill results have indicated ore reserves of 4.7 million tons containing 1.45% copper and 0.8 ounce silver per ton. A feasibility study was prepared and on the basis of mining the existing reserves within an eight-year period, this would result in a viable economic project. Exploration expenditures to December 31, 1969 amounted to $417,000. It is estimated that the total cost of bringing the property into production would amount to $6.3 million and this amount will be provided 75% by Falconbridge Nickel Mines Limited and 25% by a South African partner.

A shaft has been sunk to a depth of 200 feet and construction and development work is under way to place the property in production. Initial production at the rate of 1,200 tons per day is scheduled for mid-1971, increasing over a two-year period to a rate of 1,650 tons per day.

Capitalization	As at December 31, 1969 Outstanding	Held by Falconbridge	
Common shares	253,680	190,000	75.0%

Management 1969

Chairman A. E. Pugsley, Kilembe, Uganda

INCREASED EXPLORATION ACTIVITY

Exploration expenditures by Falconbridge Nickel Mines Limited in 1969 were the highest in company history and new exploration offices were opened at several locations in Canada and overseas. Other companies in the Falconbridge group also carried on extensive exploration programs in an intensified search for ore in many parts of the world.

The photograph at left shows an exploration team on Canada's west coast, where helicopters are in widespread use in remote and mountainous areas. In the middle photograph, geologists are carrying out a property examination on a copper prospect in northern British Columbia. Underground work is also an important aspect of exploration and, in the picture at right, geologists are examining an ore specimen at a property under exploration and development in Quebec.

OPEMISKA COPPER MINES (QUEBEC) LIMITED

Net earnings amounted to $8,340,000 or $1.51 per share, (the highest in the company's history), compared with $4,507,000 or 82¢ per share in 1968.

The large increase in earnings was due to the high price received for copper during the year.

Copper contained in concentrates produced during the year was valued at 69.5¢ per pound compared with 49.4¢ in 1968. The price received for the last settlement was 73.5¢.

	As at December 31, 1969 Outstanding	Held by Falconbridge	
Capitalization			
Common shares	5,515,000	1,993,236	36.1%

	Year ended December 31 1969	1968
Production		
Tons ore milled	792,000	744,000
Copper in concentrates — pounds	39,644,000	40,730,000
Gold in concentrates — ounces	11,400	11,500
Silver in concentrates — ounces	244,000	248,000
Financial		
Net value of metals produced	$ 24,005,000	$ 17,099,000
Earnings before amortization and depreciation	9,464,000	5,601,000
Earnings after all charges	8,340,000	4,507,000
Dividends paid — $1.20 in 1969, $0.80 in 1968	6,618,000	4,412,000
Working capital	12,873,000	10,976,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 3,011,000	$ .61
Dividends paid	2,389,000	.48
Excess of earnings over dividends	$ 622,000	$ .13

Although the tonnage treated was increased by 48,000 tons, the copper content was lower by some 1,086,000 pounds, reflecting a lower grade of mill feed. The lower grade was due to high dilution in the open stopes.

Ore reserves at December 31, 1969, again showed an increase, being 7,207,400 tons averaging 2.80% copper, compared with 7,077,400 tons averaging 2.92% copper a year earlier.

A high rate of development was maintained during the year, much of which involved opening up the new lower levels of the Perry Shaft. The Robitaille mine development and stope preparation continued in order to have the mine in readiness for full production by mid-1970.

Dividend payments in 1969 totalled $6,618,000 or $1.20 per share compared with 80¢ per share in 1968. Working capital at December 31, 1969, amounted to $12,873,000, an increase during the year of $1,897,000.

In July the Board of Directors authorized an increase in milling rate from 2,000 tons per day to 3,000 tons per day. Tonnage will be increased gradually over the next two years and will reach the 3,000 tons per day rate in mid-1971. In line with this decision, the Board authorized the construction of 40 new homes and an arena-swimming pool complex in the town of Chapais.

After many years of outstanding service to the company, Mr. J. P. Millenbach, having reached normal retirement age, retired as president at the beginning of 1969 and was succeeded by Mr. J. R. Smith.

Mr. F. G. Cooke retired after 17 years as mine manager and was succeeded by Mr. J. P. Bonneville.

Management 1969

President
J. R. Smith, Toronto

Mine Manager
J. P. Bonneville, Chapais, Quebec

The headframes of the Springer No. 1 and No. 2 mines and the Perry mine (background) are shown in this section of the Opemiska property.

UNITED KENO HILL MINES LIMITED

Net earnings for the year amounted to $70,000 or 3¢ per share compared with $281,000 or 11¢ per share in 1968. The severe drop in the silver price during the year had a serious effect on the profitability of the operation. Working capital at December 31, 1969 amounted to $7,995,000, a decrease of $266,000 from the previous year.

The Calumet Mine provided the bulk of the production for the year with increasing tonnages coming from the Elsa Mine and a small tonnage from the Sadie Ladue Mine.

The failure, in March, of one turbine in the Mayo hydro plant created a power shortage which was not relieved until October, when repairs were completed. Heating and power generating costs were therefore much greater than expected.

At the Husky Mine crosscuts were advanced to the ore zone on the 125-foot and 375-foot levels and drifting commenced. Water flows have slowed this work but are under control.

Available ore reserves at December 31, 1969 were estimated at 91,750 tons averaging 34.2 ounces silver per ton, 5.9% lead and 4.3% zinc.

The local exploration program was continued at the same level. An exploration office was opened in Whitehorse to give broader coverage of the Yukon.

United Keno Hill Mines Limited, in the Yukon Territory, is a producer of silver, lead, zinc and cadmium. Shown above is the Calumet Mine property against a mountain background. Calumet provided the bulk of the company's production in 1969.

Capitalization	As at December 31, 1969 Outstanding	Held by Falconbridge	
Common shares	2,470,000	1,195,989	48.4%

Production	As at December 31 1969	1968
Tons ore milled	88,000	61,000
Ounces silver produced	2,406,000	1,982,000
Pounds lead produced	7,719,000	7,419,000
Pounds zinc produced	7,846,000	6,213,000
Pounds cadmium produced	101,000	74,000
Financial		
Net value of metals produced	$ 4,776,000	$ 5,085,000
Expenditures on exploration and development	813,000	1,186,000
Earnings before depreciation	431,000	686,000
Earnings after all charges	70,000	281,000
Dividends paid — $0.20 in 1969	494,000	—
Working capital	7,995,000	8,261,000

Falconbridge interest in		Per share of Falconbridge
Earnings after all charges	$ 34,000	$ .01
Dividends paid	239,000	.05
Excess of dividends over earnings	$ (205,000)	$ (.04)

Management 1969

President and Managing Director	D. R. DeLaporte, Toronto
Mine Manager	J. E. Ashton, Elsa, Yukon Territory

NICKEL AIRLIFT

A massive and highly successful "airlift" of nickel matte from Canada to Norway was carried out by Falconbridge Nickel Mines Limited late in 1969. The program, which involved six international airlines, enabled the Company to accelerate nickel deliveries to its customers by several weeks.

Between November 27th and December 20th, almost 1,800 tons of matte were carried by heavy tractor-trailer units from the Falconbridge smelter to Montreal and Toronto airports. From these two take-off points, the material was flown across the Atlantic to Norway's Fornebu Airport and then shipped 200 miles by rail to the Falconbridge Nikkelverk refinery on Norway's southwest coast. In all, 47 flights were made (the majority on an overnight schedule) and each load averaged 75,000 pounds.

The well executed program was a tribute to Falconbridge personnel and to the many outside organizations involved. The airlines taking part included Air Canada, Wardair, KLM, Pan-Am, SAS and Air France — using Douglas DC 8's and Boeing 707's. The photographs on this page capture the sense of urgency and efficiency that underscored the airlift program.

FALCONBRIDGE

SERVING WORLD NICKEL MARKETS
through the following Sales Offices:

BELGIUM
Métaux Bruts Belges S.p.r.l.,
Oudaan 8/10,
Antwerp.

CANADA
Falconbridge Nickel Mines Limited,
7 King Street East,
Toronto 210, Ontario.

DENMARK
AB Ferrolegeringar,
Box 40 040,
Stockholm 40,
Sweden.

FINLAND
AB Ferrolegeringar,
Box 40 040,
Stockholm 40,
Sweden.

FRANCE
Francomet,
39, Rue du Colisée,
Paris 8e.

GERMANY (West)
Hütten Metall G.m.b.H.,
Humboldtstr. 12,
6, Frankfurt Am Main,
Federal Republic of Germany.

HOLLAND
Brandeis, Goldschmidt & Co. Ltd.,
30 Gresham Street,
London E.C. 2,
England.

ISRAEL
Brandeis, Goldschmidt & Co. Ltd.,
30 Gresham Street,
London E.C. 2,
England.

ITALY
"Victoria" S.p.A.,
Casella Postale 1635,
16100 Genoa.

JAPAN
Mitsubishi Shoji Kaisha Ltd.,
3-1 Marunouchi 2-Chome,
Chiyoda-ku,
Tokyo.

LUXEMBOURG
Métaux Bruts Belges S.p.r.l.,
Oudaan 8/10,
Antwerp, Belgium.

NORWAY
Falconbridge Nikkelverk A/S,
Kristiansand S.

SPAIN
Jorge Pascual S.A.,
Pje. Marques de Santa Isabel 40,
Barcelona 5.

SWEDEN
AB Ferrolegeringar,
Box 40 040,
Stockholm 40.

SWITZERLAND
Voegeli & Co. Metalle,
Postfach 8032,
Zûrich.

UNITED KINGDOM
Brandeis, Goldschmidt & Co. Ltd.,
30 Gresham Street,
London E.C. 2,
England.

UNITED STATES
Falconbridge Nickel Mines Limited,
7 King Street East,
Toronto 210,
Canada.

FALCONBRIDGE

EMPLOYEE HOUSING

This attractive home in Dowling Township is typical of the housing units being built for Falconbridge employees and their families in the rapidly expanding Sudbury area. The houses are made available to employees under a rental-purchase scheme established by the company.

TEN-YEAR REVIEW OF FINANCIAL DATA (in thousands)

ORE RESERVES — (tons)

OPERATIONS

Metal deliveries (pounds)
- Nickel
- Copper

Metal sales and other operating revenues

Operating profit from nickel operations before write-offs

Income from investments

Development and preproduction expenditures written off

Depreciation

Exploration

Expenditures on research and process development

Interest expense

Income taxes — current

— deferred (2)

Earnings before gain on investments
- Amount per share

Earnings for the year
- Amount per share

DIVIDEND RECORD

Amount paid per share

CAPITAL EXPENDITURES
(including development and preproduction)

Nickel operations

Wesfrob Mines Limited — Tasu project

FINANCIAL POSITION

Working capital

Investment in subsidiary and other companies at book value

Plant and properties — net

Long term debt less amount included under current liabilities

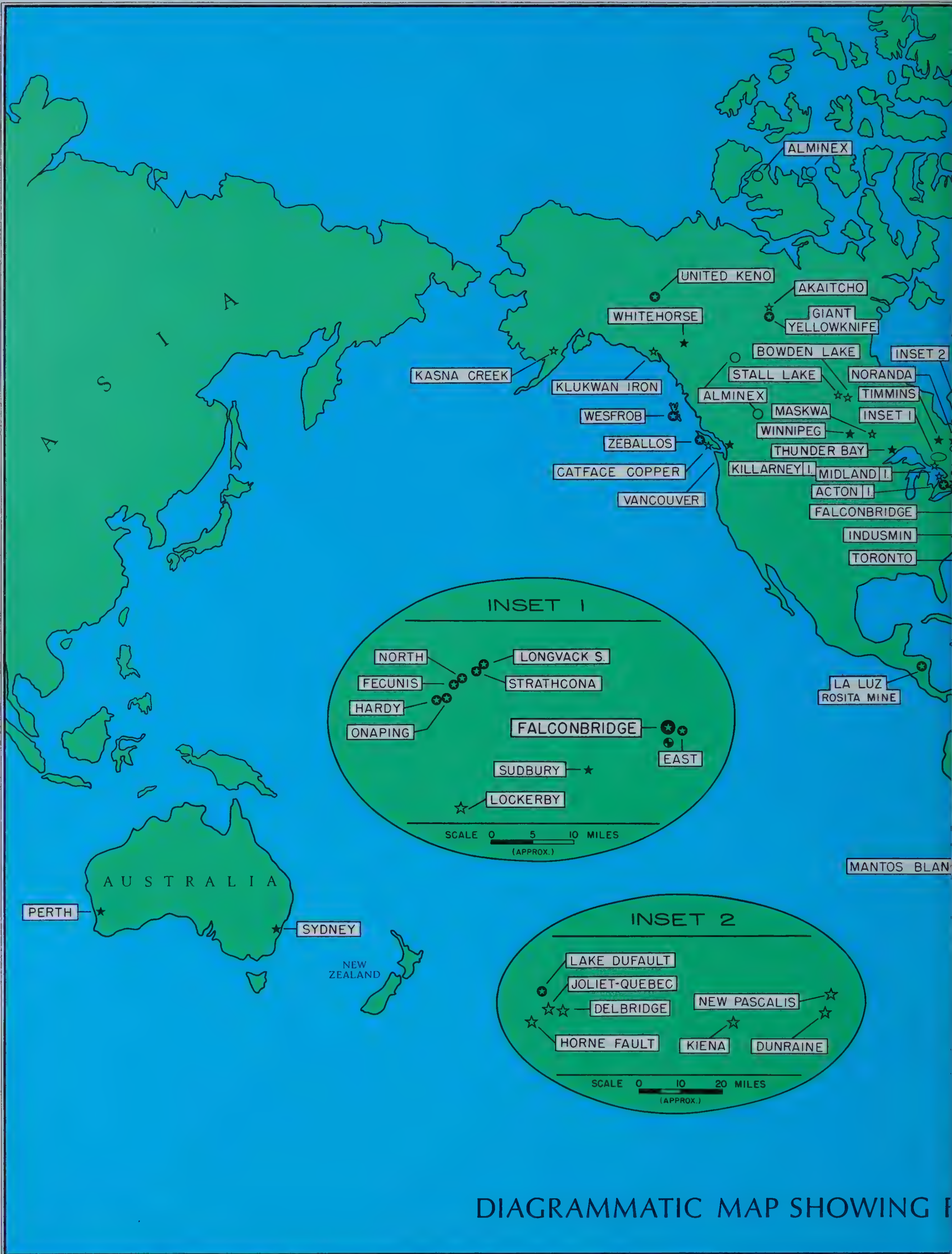
Shareholders' equity
- Amount per share

Shares outstanding at end of year

(1) Includes sales of nickel purchased from the United States Government.

(2) The Company adopted deferred tax accounting effective January 1, 1964.

1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
92,808	91,639	75,073	74,861	73,160	69,523	51,322	48,263	46,247	46,089
	,000								
80,647	70,712	(1) 74,754	(1) 78,963	72,984	78,485	53,245	61,061	65,546	65,002
49,456	39,787	32,401	32,872	33,813	25,102	28,690	33,831	38,817	36,012
137,611	$105,206	(1)$ 94,442	(1)$92,495	$82,840	$80,306	$59,764	$73,760	$76,312	$70,562
58,673	36,740	30,264	26,930	27,905	27,305	20,293	33,419	34,015	32,143
11,263	10,694	16,842	23,209	17,418	11,055	5,713	5,225	2,122	1,192
6,237	6,415	2,077	1,665	1,824	898	1,768	2,991	3,504	2,862
10,729	6,836	4,180	3,304	2,701	2,384	2,355	5,918	9,811	9,722
6,036	4,659	4,259	6,967	3,899	2,243	2,542	3,820	1,978	1,123
2,683	2,207	4,074	5,554	2,697	2,187	2,071	1,370	1,416	749
1,550	1,644	446	33	85	171	276	479	776	1,092
2,558	460	136	637	3,057	6,500	3,300	5,050	2,200	2,250
3,680	6,140	6,650	4,868	5,010	2,550				
45,154	24,461	25,792	27,725	26,768	21,965	14,288	19,833	16,968	16,065
9.13	$ 4.99	$ 5.26	$ 5.66	$ 5.47	$ 4.51	$ 2.94	$ 4.11	$ 4.49	$ 4.26
45,710	36,664	RESTATED							
9.24	$ 7.47								
3.50	$ 3.50	$ 3.50	$ 3.50	$ 3.50	$ 2.80	$ 2.50	$ 2.50	$ 1.70	$ 1.50
37,448	$ 40,924	$ 44,226	$27,619	$11,874	$ 6,444	$ 6,794	$ 8,177	$ 9,813	$ 6,861
535	82	6,577	22,655	9,953	4,701	612	98		
24,147	$ 4,157	$ 2,457	$32,773	$55,416	$58,831	$69,668	$75,380	$45,848	$37,547
66,186	65,692	63,852	59,713	66,131	65,121	48,516	44,755	3,221	1,943
136,727	121,511	100,876	67,422	31,333	26,686	21,975	20,749	20,414	24,167
2,862	1,264	1,384			1,000	2,000	4,000	6,000	11,000
249,427	216,979	196,361	187,157	172,621	160,894	146,275	142,834	68,304	57,399
50.43	$ 44.24	$ 40.04	$ 38.24	$ 35.29	$ 33.03	$ 30.15	$ 29.61	$ 18.06	$ 15.24
4,946	4,905	4,904	4,895	4,892	4,871	4,852	4,824	3,781	3,767



DIAGRAMMATIC MAP SHOWING F

CONBRIDGE MAJOR HOLDINGS

Offices	Corporate Offices — 7 King Street East, Toronto 210, Ontario Main Office, Sudbury Operations — Falconbridge, Ontario Montreal Office — 1440 St. Catherine St. West, Montreal 25, Quebec Vancouver Office — 1112 West Pender Street, Vancouver 1, B.C.
Major Wholly-Owned Subsidiaries	Fahralloy Canada Limited, Orillia, Ontario Chairman of the Board — T. G. Beament President and Managing Director — J. A. Wilson Wesfrob Mines Limited, 1112 West Pender Street, Vancouver 1, B.C. Vice-President — W. J. Tough Mine Manager — F. A. Godfrey, Tasu, Queen Charlotte Islands, B.C. Falconbridge Nikkelverk Aktieselskap, Kristiansand S., Norway. Chairman of the Board and Managing Director — R. Jahnsen
Sudbury Operations	Manager — G. A. Allen Producing Mines — Falçonbridge, East, Strathcona, Hardy, Fecunis Lake, Onaping, North, Longvack South. Under Development — Lockerby Mine — scheduled for production 1975. Concentrators — Falconbridge, Hardy, Fecunis Lake, Strathcona. Smelter — Falconbridge. Pyrrhotite Plant — Falconbridge. Under Construction — Nickel-Iron Refinery at Falconbridge, scheduled for operation 1970.
Research Laboratories	Falconbridge Metallurgical Laboratories, Thornhill, Ontario; Falconbridge, Ontario; Kristiansand S., Norway. Lakefield Research of Canada Limited, Lakefield, Ontario (wholly-owned).
Exploration Offices	Toronto, Sudbury, Timmins and Thunder Bay, Ontario; Quebec and Noranda, Quebec; Vancouver, B.C.; Winnipeg, Manitoba; Whitehorse, Yukon Territory; Bathurst, N.B.; Santo Domingo, Dominican Republic; Kingston, Jamaica; Kristiansand S., Norway; Fribourg, Switzerland; Sydney and Perth, Australia; Johannesburg, South Africa; Windhoek, South West Africa; Kinshasa, Democratic Republic of the Congo.
Lateritic Nickel Project	Falconbridge Dominicana, C. por A., Santo Domingo, Dominican Republic. Vice-President and General Manager — Ian H. Keith. Project under construction — scheduled for operation 1972.
Products	Products of Falconbridge Nickel Mines Limited and affiliated companies include: Nickel, copper, cobalt, gold, silver, platinum, palladium, iridium, rhodium, ruthenium, selenium, lead, iron ore, zinc, cadmium, magnesium, titanium, calcium, thorium, dolomite, nepheline syenite, silica, limestone aggregates, liquid sulphur dioxide, oil, natural gas; carbon and high-alloy steel castings; other products for consumer and industrial use.
Solicitors	Tilley, Carson & Findlay, Toronto.
Auditors	Clarkson, Gordon & Co., Toronto.
Transfer Agents and Registrars	Crown Trust Company, Toronto, Montreal, Vancouver and Calgary. Registrar and Transfer Company, New York and Jersey City, U.S.A.

December 31, 1969

FALCONBRIDGE

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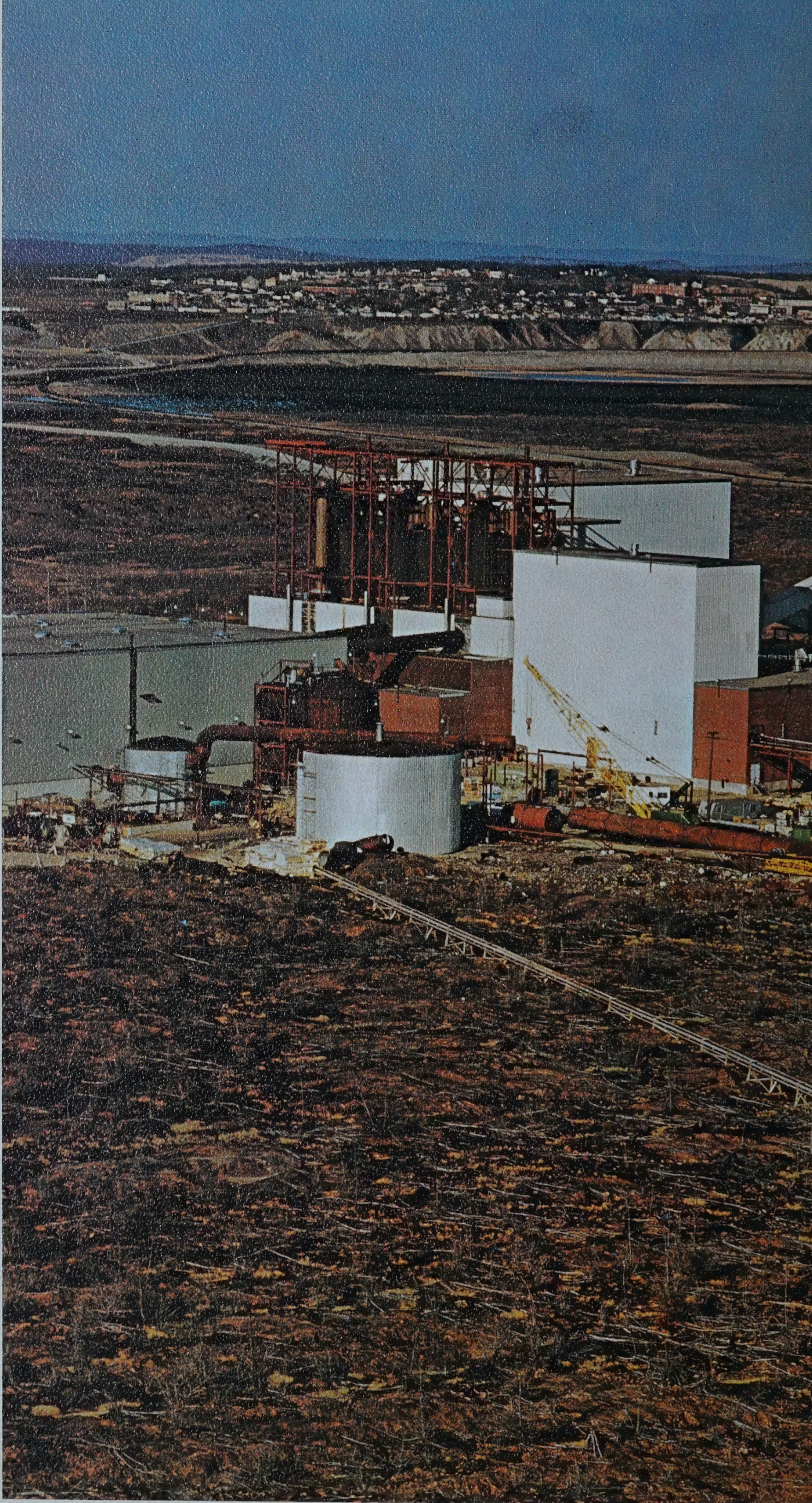
The Company's new nickel-iron refinery is shown here under construction at Sudbury, Ontario. In the background are the Falconbridge Mine and plants, with the Falconbridge town site at left.



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